

THE STATEMENTS CONTAINED HEREIN ARE BASED UPON INFORMATION WHICH WE BELIEVE TO BE RELIABLE, BUT ARE IN NO EVENT TO BE CONSTRUED AS REPRESENTATIONS BY US.

New Issue

\$1,150,000

The Hamilton Cotton Company,
Limited

(Incorporated under the Laws of the Dominion of Canada)

First Mortgage and Collateral Trust Bonds

To be dated August 1, 1938

MATURITY	COUPON RATE	AMOUNT
August 1, 1939	3% Serial Bonds	\$ 55,000
August 1, 1940	3% Serial Bonds	58,000
August 1, 1941	3% Serial Bonds	60,000
August 1, 1942	3% Serial Bonds	62,000
August 1, 1943	3% Serial Bonds	65,000
August 1, 1950	4¼% Sinking Fund Bonds	850,000

Principal and half-yearly interest (1st February and August) payable in lawful money of the Dominion of Canada at any branch in Canada (Yukon Territory excepted) of the Company's bankers.

PROVISION WILL BE MADE FOR A YEARLY SINKING FUND, PAYABLE IN CASH OR SINKING FUND BONDS TAKEN AT THE THEN CURRENT REDEMPTION PRICE, COMMENCING AUGUST 1st, 1944, WHICH, TOGETHER WITH THE PAYMENT AT MATURITY OR REDEMPTION OF THE SERIAL BONDS, WILL BE SUFFICIENT TO REDEEM 75% OF ALL THE BONDS OF THIS ISSUE BEFORE MATURITY. THE COMPANY WILL HAVE THE RIGHT TO ANTICIPATE SINKING FUND PAYMENTS.

The Serial bonds maturing 1939-1943 inclusive are redeemable at the option of the Company at any time on 30 days' prior notice in whole, or in part to be selected by lot, at 101 and accrued interest. The Sinking Fund bonds are redeemable at the option of the Company at any time on 30 days' prior notice in whole, or in part to be selected by lot, at 102 and accrued interest up to and including August 1, 1943, at 101½ and accrued interest thereafter up to and including August 1, 1946, at 101 and accrued interest thereafter up to and including August 1, 1948, at 100½ and accrued interest thereafter up to and including August 1, 1949, and at 100 and accrued interest thereafter to maturity. The Company will have the right to purchase bonds for redemption or sinking fund on the market or by private contract at prices not greater than the redemption price current at the time of purchase.

Denominations: Serial Bonds: \$1,000. Sinking Fund Bonds: \$500 and \$1,000.

Bonds may be registered as to principal only.

In the opinion of Counsel, based on values shown herein, these bonds are investments in which The Canadian and British Insurance Companies Act, 1932 (Dominion) states Companies registered under it may invest their funds.

Trustee: National Trust Company, Limited, Toronto.

CAPITALIZATION

(After giving effect to the redemption of all the outstanding (\$713,000) 5¼% First Mortgage Sinking Fund Gold Bonds Series "A" due April 1, 1948, to be redeemed at 103 and accrued interest on or about September 19, 1938, and \$85,000 Secured Notes of Trent Cotton Company, Limited (a wholly-owned subsidiary) due May 1, 1939, to be redeemed at 100 and accrued interest on or about August 18, 1938, and upon completion of present financing).

	AUTHORIZED	OUTSTANDING AND TO BE OUTSTANDING
First Mortgage and Collateral Trust Bonds.....	\$2,000,000	
3% Serial Bonds, due annually August 1, 1939 to 1943.....		\$300,000
4¼% Sinking Fund Bonds, due August 1, 1950.....		850,000
Cumulative Convertible Sinking Fund (\$2 dividend per annum) Preference Stock* (\$30 par value).....	600,000	554,550
Common Stock (\$30 par value).....	600,000	600,000

* Dividends on the cumulative preference stock were suspended on January 1, 1932. On April 1, 1935, payments on account of arrears were commenced at the quarterly rate and have since been regularly made, together with an additional payment of 50 cents per share at April 1, 1938, leaving dividends in arrears of \$6.00 per share, aggregating \$110,910.00.

ASSETS: According to the Pro-Forma Consolidated Balance Sheet of the Company and its subsidiary, Trent Cotton Company, Limited, as at June 11, 1938, as reported upon by Messrs. Peat, Marwick, Mitchell & Co., after giving effect as at that date to,

- (a) the redemption of \$713,000.00 5½% First Mortgage Sinking Fund Gold Bonds of The Hamilton Cotton Company, Limited, and \$85,000.00 of Secured Notes of Trent Cotton Company, Limited, then outstanding;
- (b) the sale of \$1,150,000.00 of First Mortgage and Collateral Trust Bonds (in terms of Agreement dated June 27, 1938) and the application of the proceeds to (1) the redemption of the obligations mentioned in paragraph (a) above and (2) the provision of funds for the purchase of machinery and equipment;

the net tangible assets were as follows:

Real Estate, Buildings, Machinery and Equipment.....	\$3,035,271.43	
Less Reserve for Depreciation.....	1,282,851.22	\$1,752,420.21
Portion of cash proceeds of bond issue which it is planned will be expended in whole or in part in improvements to the machinery and equipment of the Company and its subsidiary.....	\$ 288,970.74	
Sundry Deposits with Fire Insurance Company, etc.....	20,045.04	
Deferred Charges.....	36,521.75	
Net Current Assets after making provision for all Current Liabilities..	702,871.46	1,048,408.99
		\$2,800,829.20

Equal to \$2,435.50 for each \$1,000 First Mortgage and Collateral Trust Bond to be presently outstanding.

EARNINGS: The combined net earnings of the Company and its subsidiary, Trent Cotton Company, Limited, since the latter's inception March 6, 1929, as reported upon by Messrs. Peat, Marwick, Mitchell & Co., after deduction of adequate provision for depreciation of buildings, plant, machinery and equipment, and making provision for Dominion and Provincial taxes at present rates, which would have been available for interest on the First Mortgage Bonds to be presently issued, were as follows:

(Continued on next page)

The information contained herein has been supplied and approved by Mr. Alan V. Young, President and General Manager of the Company.

We offer these bonds when, as and if issued and accepted by us, subject to approval of all legal details by Messrs. Blake, Lash, Anglin & Cassels, Toronto.

PRICE: 4¼% Sinking Fund Bonds, maturing 1950,
100 and accrued interest, to yield 4.25%

The Serial Bonds maturing 1939 to 1943, inclusive, have been sold.

It is expected that definitive bonds will be ready for delivery on or about August 18, 1938.

The right is reserved to reject any or all applications and also in any case to award a smaller amount than is applied for.

A. E. AMES & CO.

LIMITED

Business Established 1889

TORONTO

MONTREAL

WINNIPEG

VANCOUVER

VICTORIA

LONDON, ENG.

(Continued from previous page)

PERIOD	EARNINGS BEFORE PROVIDING FOR DEPRECIATION INCOME TAXES AND BOND INTEREST	PROVISION FOR DEPRECIATION	PROVISION FOR DOMINION AND PROVINCIAL TAXES AT PRESENT RATES (ESTIMATED)	NET EARNINGS AVAILABLE FOR BOND INTEREST
Year ended Dec. 31, 1928	\$246,312.52	\$ 54,707.10	\$24,390.44	\$167,214.98
Year ended Dec. 31, 1929	171,915.87	64,350.84	11,033.97	96,531.06
Year ended Dec. 31, 1930	165,295.22	80,256.43	7,152.18	77,886.61
Year ended Dec. 31, 1931	147,104.99	71,808.62	4,952.46	70,843.91
Year ended Dec. 31, 1932	99,146.83	72,152.08	7,783.24	19,211.51
Year ended Dec. 31, 1933	209,064.03	93,489.75	11,387.54	104,186.74
52 weeks ended Dec. 29, 1934	311,294.76	103,671.85	26,583.88	181,039.03
52 weeks ended Dec. 28, 1935	261,031.28	99,324.81	19,103.96	142,602.51
52 weeks ended Dec. 26, 1936	292,907.25	122,281.25	20,432.30	150,193.70
52 weeks ended Dec. 24, 1937	298,201.63	121,510.05	21,374.94	155,316.64
24 weeks ended June 11, 1938	99,790.80	43,709.53	6,350.00	49,731.27

Yearly average of above combined net earnings, after provision for depreciation and taxes at present rates, for the above ten fiscal years and twenty-four weeks. \$116,116.56

which is at the rate of 2.57 times interest requirements for the first full year (\$45,125.00) on the First Mortgage and Collateral Trust Serial and Sinking Fund Bonds to be presently outstanding.

For the twenty-four weeks ended June 11, 1938, combined net earnings, after provision for depreciation and taxes at present rates. \$49,731.27

which is at the rate of 2.38 times the twenty-four weeks' interest requirements on the First Mortgage and Collateral Trust Serial and Sinking Fund Bonds to be presently outstanding.

BUSINESS: The Hamilton Cotton Company, Limited, incorporated in 1928 to acquire a business of the same name originally established in 1880, is engaged directly and with a subsidiary, Trent Cotton Company, Limited, in the spinning of cotton yarns. The parent company also is engaged in weaving and the manufacture of a diversified line of products, including elastic and non-elastic webbings, cotton cordage such as clothes-lines, sash cords and twines, denims and cottonades for overall cloths. The Company does dyeing and bleaching of its own products as well as a considerable amount of custom work. The Company's main plant at Hamilton, Ontario, has a floor space for manufacturing purposes of over 275,000 square feet and its subsidiary in Trenton, Ontario, has 75,000 square feet additional. Both plants are well situated as to railway facilities. Equipment of the Company, and its subsidiary consist of over 26,000 cotton spindles, with adequate processing equipment for its yarn; 122 cloth looms; 108 webbing looms and some 605 braiders for the manufacture of elastic and cotton braids and cords.

SECURITY: This issue of first mortgage and collateral trust serial and sinking fund bonds and such additional bonds as may be issued under the terms of the Deed of Trust and Mortgage will be secured by a first mortgage on all the fixed assets now owned by the Company and on all of the outstanding shares of the Company's subsidiary, Trent Cotton Company, Limited, and by a floating charge on the undertaking and all other property and assets present and future of the Company. The Deed of Trust and Mortgage will provide that the Company may give security under the provisions of the Bank Act or otherwise to any banks or bankers, persons, firms or corporations in the ordinary course of its business for current loans, but may not, except subject to the floating charge, create any other mortgage, charge or other security upon the subject matter of the floating charge. The Company will covenant that any fixed assets acquired by it subsequent to the date of the Deed of Trust and Mortgage will, whether or not any additional bonds are at the time issued in respect thereof, be subjected to the specific mortgage created thereby. The Company will also covenant that it will not suffer or permit Trent Cotton Company, Limited, or any other wholly-owned subsidiary, all of whose issued shares form part of the specifically mortgaged premises, (a) to create any mortgage, hypothec, pledge or charge whether fixed or floating except purchase money mortgages, upon any of its fixed assets, or (b) to create any mortgage, hypothec, pledge or charge whether fixed or floating upon any of its other assets, except as security under the provisions of the Bank Act or otherwise, to any banks or bankers, persons, firms or corporations in the ordinary course of its business for current loans. The Company will further covenant that while any of the bonds are outstanding it will not pay any dividends (other than stock dividends) or redeem or purchase any of its shares if such payment or redemption or purchase would result in reducing the consolidated net current assets (to be defined in the Trust Deed) of the Company and any wholly-owned subsidiary or subsidiaries below \$600,000.

The titles of The Hamilton Cotton Company, Limited and of Trent Cotton Company, Limited to their respective properties have been examined by Messrs. Blake, Lash, Anglin & Cassels and found satisfactory except as to certain lands in Trenton of the latter company on which a portion of its buildings is erected. Steps, which it is anticipated will be successful, are being taken to remedy these defects in title. It is not considered likely that the company will be disturbed in its possession of these properties, and in any event competent engineers estimate that, if necessary, alterations to or replacements of the portion of its buildings affected to give the company equally satisfactory facilities would not exceed \$55,000.00 at present costs.

ADDITIONAL ISSUES: The Deed of Trust and Mortgage will provide that additional bonds to an aggregate principal amount of \$850,000 may be issued but only to the extent of sixty-six and two-thirds per cent. (66⅔%) of the cost or depreciated replacement appraisal value (whichever is lower at the time of issue of such further bonds) of additional fixed properties (including construction and improvements) acquired subsequent to the date of the Deed of Trust and Mortgage by the Company or by Trent Cotton Company, Limited, or any other wholly-owned subsidiary, all of whose issued shares form part of the specifically mortgaged premises; provided, however, that any property acquired by the Company or any such subsidiary with the proceeds of any bonds issued under the Deed of Trust and Mortgage (including property acquired with the amount or any part of the amount of \$288,970.74 shown on the pro-forma consolidated balance sheet of the Company and its subsidiary as at June 11, 1938, as being a portion of the cash proceeds of the present issue which it is planned will be expended in whole or in part in improvements to the machinery and equipment of the Company and its subsidiary) or with any insurance moneys or with the proceeds of any property forming part of the original specifically mortgaged premises or with the proceeds of after acquired property in respect of which additional bonds have been issued shall not be deemed to be additional property against which additional bonds may be issued; and provided further that no additional bonds may be issued unless the consolidated net earnings of the Company and its subsidiaries for any twelve (12) consecutive calendar months out of the sixteen (16) calendar months immediately preceding the date of issue of additional bonds shall have been at least equal to twice the annual interest requirements of all the bonds which will be outstanding after the issue of the bonds about to be issued. Any additional bonds will be payable in lawful money of the Dominion of Canada, may be issued in one or more series, bear such rates of interest, be redeemable at such prices, provide for such sinking fund and mature at such time or times as may be determined by the Board of Directors; provided that no such additional bonds shall carry a sinking fund at an annual rate which will provide for the redemption of more than seventy-five per cent. (75%) thereof earlier than twelve (12) years from the date of issue, and provided that no such additional bonds shall mature earlier than August 1, 1950, except that principal amounts may mature at an earlier date or dates if the principal amounts maturing in any year, together with sinking fund payment (if any) payable in such year in respect of the series of which the principal amount so maturing forms part, does not exceed the amount of the sinking fund which would be permitted for such year as hereinbefore provided if all the bonds of such series matured on or after August 1, 1950. The Deed of Trust and Mortgage will further provide that if at any time bonds of one or more series, including the present issue, are outstanding and the Company shall make moneys (other than sinking fund moneys) available for redemption of bonds, then such moneys will be apportioned among the different series of bonds, including the present issue, according to the principal amount of the bonds of each series then outstanding.

PURPOSE OF ISSUE: The proceeds of this issue will be used by the Company in redeeming its presently outstanding 5½% Sinking Fund Gold Bonds Series "A", due April 1, 1948, amounting to \$713,000, at 103 and accrued interest on or about September 19, 1938, and in providing funds for the redemption by its subsidiary, Trent Cotton Company, Limited, of \$85,000 of Secured Notes, due May 1, 1939, on or about August 18, 1938, at 100 and accrued interest; for improvements to the equipment of the Company and of its subsidiary, Trent Cotton Company, Limited, from which it is anticipated important savings will accrue, and for other corporate purposes.

MANAGEMENT: The same management that has been responsible for the success of the Company will continue in active direction of its affairs.

THE HAMILTON COTTON COMPANY, LIMITED

and its Subsidiary, Trent Cotton Company, Limited

PRO-FORMA CONSOLIDATED BALANCE SHEET as at June 11, 1938.

After giving effect as at that date to:

- the redemption of \$713,000.00 5½% First Mortgage Sinking Fund Gold Bonds of The Hamilton Cotton Company, Limited, and \$85,000.00 of secured notes of Trent Cotton Company, Limited, then outstanding;
- the sale of \$1,150,000.00 of First Mortgage and Collateral Trust Bonds (in terms of Agreement dated June 27, 1938) and the application of the proceeds to (1) the redemption of the obligations mentioned in paragraph (a) above and (2) the provision of funds for the purchase of machinery and equipment.

CURRENT ASSETS:

ASSETS

Cash on Hand and in Banks.....	\$ 35,545.50
Accounts and Notes Receivable, after making provision for doubtful items	213,534.43
Inventories at not exceeding the lower of cost or market value, as determined and certified to by responsible officials of the Company.....	557,636.19
TOTAL CURRENT ASSETS.....	\$ 806,716.12
Portion of cash proceeds of Bond Issue which it is planned will be expended in whole or in part in improvements to the machinery and equipment of the Company and its subsidiary.....	288,970.74
SUNDRY DEPOSITS WITH FIRE INSURANCE COMPANY, ETC.....	20,045.04
DEFERRED CHARGES.....	36,521.75

FIXED ASSETS:

Real Estate, as appraised by Mr. F. Kent Hamilton, under date of April 5, 1928	\$ 153,892.00
Buildings, Machinery and Equipment, as appraised by Lockwood, Greene & Co. Inc., under date of April 5, 1928, at replacement cost less depreciation... ..	\$1,917,450.23
Add subsequent additions, at cost less adjustments	963,929.20
Deduct Reserve for Depreciation:	\$2,881,379.43
Additional Reserve set up by the Company as at the date of the above appraisal.....	\$ 471,292.00
Aggregate amount of annual appropriations since the date of the above appraisal after allowances for obsolescence, etc.....	811,559.22 1,282,851.22 1,598,528.21 1,752,420.21
TOTAL.....	\$2,904,673.86

CURRENT LIABILITIES

LIABILITIES

Accounts Payable.....	\$ 35,536.88
Accrued Wages, etc.....	36,302.80
Preferred Dividend due July 1, 1938.....	9,242.50
Reserve for Dominion and Provincial Taxes (Estimated).....	11,054.54
Bond Interest Accrued to Date of Redemption.....	11,707.94
TOTAL CURRENT LIABILITIES.....	\$ 103,844.66

FIRST MORTGAGE AND COLLATERAL TRUST BONDS:

3% Serial Bonds due August 1, 1939 to August 1, 1943.....	\$ 300,000.00
4¼% Sinking Fund Bonds due August 1, 1950.....	850,000.00 1,150,000.00

CAPITAL STOCK:

Authorized:	
Cumulative Convertible Sinking Fund Preference Stock, 20,000 shares of a par value of \$30.00 each.....	\$600,000.00
Common Stock, 20,000 shares of a par value of \$30.00 each.....	600,000.00
Issued:	
Preference shares 20,000 shares fully paid	\$600,000.00
Less redeemed 1,515 shares.....	45,450.00
18,485 shares.....	\$554,550.00
Common shares—20,000 shares fully paid	600,000.00 1,154,550.00

NOTE: Dividends on the cumulative preference stock were suspended on January 1, 1932. On April 1, 1935, payments on account of arrears were commenced at the quarterly rate and have since been regularly made, together with an additional payment of 50 cents per share at April 1, 1938, leaving dividends in arrears of \$6.00 per share, aggregating \$110,910.00.

SURPLUS:

Capital.....	139,094.82
Earned.....	357,184.38
TOTAL.....	\$2,904,673.86

LETTERHEAD OF PEAT, MARWICK, MITCHELL & CO.

Hamilton, Ontario, July 8, 1938.

MESSRS. A. E. AMES & Co., LIMITED,
Toronto, Ontario.

We have examined the Balance Sheet of The Hamilton Cotton Company, Limited, and its subsidiary, Trent Cotton Company, Limited, as at June 11, 1938, and report that, in our opinion, the above Consolidated Balance Sheet is drawn up so as to show the financial position of the Company and its subsidiary, after giving effect as at that date to:

- the redemption of \$713,000.00 5½% First Mortgage Sinking Fund Gold Bonds of The Hamilton Cotton Company, Limited, and \$85,000.00 of Secured Notes of Trent Cotton Company, Limited, then outstanding;
- the sale of \$1,150,000.00 of First Mortgage and Collateral Trust Bonds (in terms of agreement dated June 27, 1938) and the application of the proceeds to (1) the redemption of the obligations mentioned in paragraph (a) above, and (2) the provision of funds for the purchase of machinery and equipment.

The solicitors acting for the Company report that they have examined the titles of The Hamilton Cotton Company, Limited and of the Trent Cotton Company, Limited to their respective properties and that these have been found satisfactory except as to certain lands in Trenton of the latter Company on which a portion of its buildings is erected; that steps, which it is anticipated will be successful, are being taken to remedy these defects in title; that it is not considered likely that the Company will be disturbed in its possession of these properties, and in any event competent engineers estimate that, if necessary, alterations to or replacements of the portion of its buildings affected to give the Company equally satisfactory facilities would not exceed \$55,000.00 at present costs.

Having examined the books of The Hamilton Cotton Company, Limited, for the period from January 1, 1928, and of its subsidiary from March 6, 1929 (the date of its inception) to June 11, 1938, we further report that, in our opinion, the combined net earnings for the period, after deduction of provision for depreciation of buildings, plant, machinery and equipment, as determined by the Company, which, in our opinion, is adequate, and making provision for Dominion and Provincial taxes at present rates, which would have been available for interest on the First Mortgage Bonds to be presently issued were as follows:

PERIOD	EARNINGS BEFORE PROVIDING FOR DEPRECIATION INCOME TAXES AND BOND INTEREST	PROVISION FOR DEPRECIATION	PROVISION FOR DOMINION AND PROVINCIAL TAXES AT PRESENT RATES (ESTIMATED)	NET EARNINGS AVAILABLE FOR BOND INTEREST
Year ended Dec. 31, 1928.....	\$246,312.52	\$ 54,707.10	\$24,390.44	\$167,214.98
Year ended Dec. 31, 1929.....	171,915.87	64,350.84	11,033.97	96,531.06
Year ended Dec. 31, 1930.....	165,295.22	80,256.43	7,152.18	77,886.61
Year ended Dec. 31, 1931.....	147,104.99	71,308.62	4,952.46	70,843.91
Year ended Dec. 31, 1932.....	99,146.83	72,152.08	7,783.24	19,211.51
Year ended Dec. 31, 1933.....	209,064.03	93,489.75	11,387.54	104,186.74
52 weeks ended Dec. 29, 1934.....	311,294.76	103,671.85	26,583.88	181,039.03
52 weeks ended Dec. 28, 1935.....	261,031.28	99,324.81	19,103.96	142,602.51
52 weeks ended Dec. 26, 1936.....	292,907.25	122,281.25	20,432.30	150,193.70
52 weeks ended Dec. 24, 1937.....	298,201.63	121,510.05	21,374.94	155,316.64
24 weeks ended June 11, 1938.....	99,790.80	43,709.53	6,350.00	49,731.27

(Signed) PEAT, MARWICK, MITCHELL & CO., Chartered Accountants.

\$1,150,000

The Hamilton Cotton Company,
Limited

First Mortgage and Collateral Trust Bonds
Serial and Sinking Fund

EXECUTIVE OFFICERS

ALAN V. YOUNG - - - President and General Manager
JAMES V. YOUNG - - - Vice-President and Treasurer
J. C. BURNS - - - Assistant-Treasurer
JOHN BOWSTEAD - - - Secretary

BOARD OF DIRECTORS

ALAN V. YOUNG - - - Hamilton
JAMES V. YOUNG - - - Hamilton
WALTER S. BUTRILL - - - Hamilton
M. B. HOLTON - - - Hamilton
FRED ALLEN - - - Hamilton
DUNLOP STEWART - - - Toronto
H. R. TUDHOPE - - - Toronto

A. E. AMES & CO.
LIMITED

Business Established 1889

CANADA PERMANENT BUILDING - - - TORONTO
ROYAL BANK BUILDING - - - MONTREAL
HAMILTON BUILDING - - - WINNIPEG
ROYAL TRUST BUILDING - - - VANCOUVER
BELMONT HOUSE - - - VICTORIA
GRESHAM HOUSE - - - LONDON, ENG.

THERE IS APPENDED HERETO COPY OF THE PROSPECTUS OF THE COMPANY WITH RESPECT TO THE OFFERING OF THE \$850,000 3% FIRST MORTGAGE AND COLLATERAL TRUST SERIAL BONDS AND THE COMMON SHARES. THE STATEMENTS CONTAINED IN THE PROSPECTUS ARE MADE BY THE COMPANY, AND ARE IN NO EVENT TO BE CONSTRUED AS REPRESENTATIONS BY US.

Additional Issue

Common Shares
(No Par Value)

The Hamilton Cotton Company,
Limited

(Incorporated under the Laws of the Dominion of Canada)

The number of Common Shares offered are a maximum of 40,000 shares but such number will be reduced in the event of the conversion (on a share-for-share basis) into Common Shares as at present constituted prior to redemption of any of the outstanding 17,540 Preference Shares which have been called for redemption on October 11, 1943. If any of such Preference Shares are converted into Common Shares as at present constituted then the number of Common Shares issued will be reduced by two Common Shares for each Preference Share converted.

CAPITALIZATION

Upon completion of the redemption of the presently outstanding \$850,000 4¼% First Mortgage and Collateral Trust Sinking Fund Bonds, the redemption and/or conversion of the presently outstanding Preference Shares, the issue of \$850,000 3% First Mortgage and Collateral Trust Serial Bonds, the subdivision and change of each of the presently outstanding Common Shares into two Common Shares without nominal or par value and the issue of the Common Shares offered hereby.

	Authorized	Outstanding
3% First Mortgage and Collateral Trust Serial Bonds, due 1944-1953	\$850,000†	\$850,000†
Common Shares (no par value)	80,000 shs.	80,000 shs.

†The Deed of Trust and Mortgage will provide that additional bonds may be issued but only to the extent of 66⅔% of the cost or depreciated replacement appraisal value of additional fixed properties, with further restrictions, all as outlined in the Prospectus.

Registrar and Transfer Agent: The Canada Permanent Trust Company, Toronto.

The above-mentioned \$850,000 3% First Mortgage and Collateral Trust Serial Bonds have been offered concurrently with this offering of Common Shares and have been sold.

These shares are offered if, as and when issued and accepted by us subject to the approval of all legal details by Messrs. Blake, Anglin, Osler & Cassels, Toronto.

PRICE: \$15 per Share

Receipts of The Canada Permanent Trust Company exchangeable for share certificates if, as and when issued will be delivered against payment on or about September 1, 1943; share certificates are expected to be ready for delivery on or about October 22, 1943.

The right is reserved to reject any or all applications and also to award a smaller number of shares than is applied for.

A. E. AMES & CO.
LIMITED

Business Established 1889

TORONTO

VICTORIA

MONTREAL

WINNIPEG

LONDON, ENG.

VANCOUVER

A copy of the following Prospectus has been filed with the Secretary of State of Canada in accordance with the provisions of The Companies Act, 1934, as amended.

THE HAMILTON COTTON COMPANY, LIMITED
Prospectus dated August 10, 1943.

HISTORY AND BUSINESS: The Hamilton Cotton Company, Limited was incorporated in 1928 to acquire a business of the same name originally established in 1880, and is engaged directly and with a subsidiary, Trent Cotton Company, Limited, in the spinning of cotton yarns. The parent Company also is engaged in the manufacture of a diversified line of products, including webbings, cotton cordage, such as clothes lines, sash cords, ropes, and twines, denims and cottonades for work clothes and overalls and is equipped to manufacture elastic webbings, which under normal conditions represents an important part of the Company's production. The Company also does dyeing and bleaching of its own products as well as a considerable amount of custom work. Products are distributed throughout Canada through various selling agents, and also to British West Indies and New Zealand. The Company's normal production has been adjusted to war needs with the result that its normal products are being produced in substantially reduced volume, which volume could again be accelerated to provide peace-time demands. Approximately 60% of the Company's production has been converted to providing textile products for use of the Armed Forces. The Company's main plant at Hamilton, Ontario, has a floor space for manufacturing purposes of over 275,000 square feet, and its subsidiary in Trenton, Ontario, has 75,000 feet additional. Both plants are well situated as to railway facilities. Equipment of the Company, and its subsidiary consists of over 24,000 cotton spindles, with adequate processing equipment for its yarn, 122 cloth looms, 102 webbing looms and 605 braiders for the manufacture of elastic and cotton braids and cord.

The Company has entered into agreements which went into effect December 28, 1941 with the Commodity Prices Stabilization Corporation Limited, covering the Company's inventory and cost of cotton. These agreements were considered necessary owing to the fact that The Wartime Prices and Trade Board fixed the maximum prices at which the Company's products may be sold. While these agreements are in force they adjust the cost of cotton to a proper relationship with these fixed selling prices and this is reflected in the Balance Sheets and Profit and Loss Accounts. The effect of this will be to stabilize operating results.

ASSETS: The Pro-Forma Consolidated Balance Sheet of the Company and its subsidiary, Trent Cotton Company, Limited, as at June 12, 1943, reported upon by Messrs. Peat, Marwick, Mitchell & Co., and as set out herein, shows the net tangible assets as follows:

Net Fixed Assets—Real Estate, buildings, machinery and equipment (after depreciation)	\$1,330,145.74
Net Current Assets (after deducting all Current Liabilities)	1,331,441.21
Deferred Charges	15,478.22
Other Investments	2,565.82
	<u>\$2,679,630.99</u>

After deducting \$850,000 for the 3% First Mortgage and Collateral Trust Serial Bonds to be issued, the remaining \$1,829,630.99 of net tangible assets equals \$22.49 for each Common Share (no par value) to be outstanding.

PROFITS: The report of Messrs. Peat, Marwick, Mitchell & Co., on earnings as appended to the Pro-forma Consolidated Balance Sheet set out herein shows that for the twenty-four weeks ended June 12, 1943, combined net earnings, after provision for depreciation and Income and Excess Profits Taxes and interest on bonds to be presently outstanding were \$58,300.08 which is \$.73 for each Common Share (no par value) to be outstanding.

The President of the Company (Mr. A. V. Young) estimates that net earnings on a similar basis for the full fiscal year ending December 25, 1943 will be in excess of \$1.50 for each Common Share (no par value) to be outstanding. These earnings show the impact of Dominion Income and Excess Profits Taxes at present rates for the full year.

The net earnings of the Company for the fiscal year ended December 26, 1942 on a similar basis, which were at the rate of \$1.69 for each Common Share (no par value) to be outstanding, were after provision for Dominion Income and Excess Profits Taxes which were at current rates for only six months of that fiscal year.

DIVIDENDS: The Company has called its outstanding Preference Shares for redemption on October 11, 1943; on such redemption and the issue of additional Common Shares of no par value, the Directors of the Company intend to declare a quarterly dividend of \$.22½ per Common Share on the 80,000 Common Shares to be outstanding, payable December 1, 1943; this is at the rate of \$.90 per annum per Common Share to be outstanding.

PURPOSE OF ISSUES: The proceeds of the \$850,000 3% First Mortgage and Collateral Trust Serial Bonds and the Common Shares will reimburse the Company, in part, for the cost of redemption on October 11, 1943 at \$35.00 per share and accrued dividend of the outstanding 17,540 Cumulative Convertible Sinking Fund Preference Shares of the Company and for the redemption on November 1, 1943 of the outstanding \$850,000 4¼% First Mortgage and Collateral Trust Sinking Fund Bonds of the Company at the rate of 101½ and accrued interest.

THE HAMILTON COTTON COMPANY, LIMITED
and its wholly-owned Subsidiary, Trent Cotton Company, Limited

PRO-FORMA CONSOLIDATED BALANCE SHEET as of June 12, 1943.

After giving effect as of that date to:

- (a) the repayment of \$65,000.00 3% First Mortgage and Collateral Trust Serial Bonds due August 1, 1943.
- (b) the redemption of the outstanding \$850,000.00 4¼% First Mortgage and Collateral Trust Sinking Fund Bonds and the outstanding 17,540 shares Cumulative Convertible Sinking Fund Preference Stock and the conversion of the outstanding 20,000 Common Shares of \$30.00 par value stock into 40,000 shares no par value Common Stock,
- (c) the sale of \$850,000.00 3% First Mortgage and Collateral Trust Serial Bonds, and 40,000 additional shares no par value Common Stock, in terms of agreements dated August 10, 1943.

ASSETS

CURRENT ASSETS:

Cash in Banks and on hand.....	\$	7,129.20
Accounts and notes receivable.....		334,502.02
Investment in Dominion of Canada bonds at cost and accrued interest (quoted value \$430,303.92).....		430,964.52
Due from employees re Victory Loan subscriptions, secured by Dominion of Canada bonds.....		46,778.95

Inventories:

Represented by Cotton Account adjusted from cost under agreement with Commodity Prices Stabilization Corporation, Limited, to give effect to subsidy assistance contingently repayable.....	\$1,428,026.63	
Other inventories at not exceeding the lower of cost or market value, as determined and certified to by responsible officials of the Company, less reserves.....	246,325.77	1,674,352.40
Deposits with Fire Insurance Company.....		25,084.58

\$2,518,811.67

DEFERRED CHARGES..... 15,478.22

OTHER INVESTMENTS..... 2,565.82

FIXED ASSETS:

Real Estate, as appraised by Mr. F. Kent Hamilton, under date of April 5, 1928.....	\$	153,892.00
Buildings, machinery and equipment as appraised by Lockwood, Green & Co., Inc., under date of April 5, 1928, at replacement cost less depreciation with subsequent additions at cost, less adjustments.....	\$3,280,488.35	
Deduct reserve for depreciation.....	2,104,234.61	1,176,253.74
		1,330,145.74
		<u>\$3,867,001.45</u>

LIABILITIES

CURRENT LIABILITIES:

Due to Bank (secured).....	\$	898,816.98
Accounts payable.....		112,080.11
Accrued wages, etc.....		66,577.68
Preferred and Common dividends due July 2, 1943.....		10,772.50
Reserve for Dominion Income and Excess Profits Taxes—estimated.....		85,457.92
Accrued bond interest.....		13,665.27
		<u>\$1,187,370.46</u>

3% FIRST MORTGAGE AND COLLATERAL TRUST SERIAL BONDS,
maturing \$85,000.00 per annum November 1, 1944 to 1953 inclusive 850,000.00

CAPITAL STOCK:

Authorized and issued:	
Common Stock 80,000 shares of no par value.....	1,200,000.00

SURPLUS:

Capital.....	65,486.46
Earned.....	564,144.53
	<u>\$3,867,001.45</u>

LETTERHEAD OF PEAT, MARWICK, MITCHELL & CO.

Hamilton, Ontario, August 10, 1943

THE HAMILTON COTTON COMPANY, LIMITED,
Hamilton, Ontario.

MESSRS. A. E. AMES & CO. LIMITED,
Toronto, Ontario.

We have examined the Balance Sheet of The Hamilton Cotton Company, Limited, and its wholly-owned subsidiary, Trent Cotton Company, Limited, as of June 12, 1943 and report that, in our opinion, the appended Pro-forma Consolidated Balance Sheet is drawn up so as to show the financial position of the Company and its subsidiary, after giving effect as of that date to:

- (a) the repayment of \$65,000.00 3% First Mortgage and Collateral Trust Serial Bonds due August 1, 1943.
- (b) the redemption of the outstanding \$850,000.00 4¼% First Mortgage and Collateral Trust Sinking Fund Bonds and the outstanding 17,540 shares Cumulative Convertible Sinking Fund Preference Stock and the conversion of the outstanding 20,000 Common Shares \$30.00 par value stock into 40,000 shares no par value Common Stock.
- (c) the sale of \$850,000.00 3% First Mortgage and Collateral Trust Serial Bonds and 40,000 additional shares no par value Common Stock, in terms of agreements dated August 10, 1943.

Having examined the books of The Hamilton Cotton Company, Limited, and of its subsidiary for the periods from January 1, 1933 to June 12, 1943, we further report that, in our opinion, the combined net earnings after deduction of provision for depreciation of buildings, machinery and equipment, as determined by the Company, which, in our opinion, is adequate, and making provision for Dominion and Provincial Income and Dominion Excess Profits Taxes at the various rates in force during the respective periods and providing for bond interest on the 3% First Mortgage and Collateral Trust Serial Bonds to be outstanding, which would have been available for dividends on the 80,000 Common Shares (no par value) to be outstanding were as follows:

PERIOD	EARNINGS BEFORE PROVIDING FOR BOND INTEREST, DEPRECIATION AND INCOME AND EXCESS PROFITS TAXES	PROVISION FOR DEPRECIATION	EXCESS PROFITS TAXES, WHEN APPLICABLE AT THEN CURRENT RATES (ESTIMATED)	PROVISION FOR DOMINION AND PROVINCIAL INCOME AND DOMINION BONDS TO BE STANDING OUT- STANDING (ANNUAL CHARGE)	NET EARNINGS AVAILABLE FOR DIVIDENDS
Year ended December 31, 1933.....	\$209,064.03	\$ 93,489.75	\$ 12,373.93	\$ 25,500.00	\$ 77,700.35
52 weeks ended December 29, 1934.....	311,294.76	103,671.85	27,077.24	25,500.00	155,045.67
52 weeks ended December 28, 1935.....	261,031.28	99,324.81	22,440.86	25,500.00	113,765.61
52 weeks ended December 26, 1936.....	292,907.25	122,281.25	23,718.27	25,500.00	121,407.73
52 weeks ended December 24, 1937.....	298,201.63	121,510.05	24,621.10	25,500.00	126,570.48
53 weeks ended December 31, 1938.....	237,056.90	105,919.45	17,275.75	25,500.00	88,361.70
52 weeks ended December 30, 1939.....	280,122.45	111,314.28	28,661.64	25,500.00	114,646.53
52 weeks ended December 28, 1940.....	756,102.94	247,457.80	302,552.20	25,500.00	180,592.94
52 weeks ended December 27, 1941.....	749,347.61	214,456.86	313,722.08	25,500.00	195,668.67
52 weeks ended December 26, 1942.....	499,901.37	248,835.95	90,226.16	25,500.00	135,339.26
24 weeks ended June 12, 1943.....	209,880.94	100,944.14	38,866.72	11,770.00	58,300.08

NOTES:

The increase in the provision for depreciation during the periods ended December 28, 1940, December 27, 1941, December 26, 1942 and June 12, 1943, is mainly due to special depreciation allowed by the War Contracts Depreciation Board of \$45,995.34 for the period ended December 28, 1940, and \$31,591.99 for the period ended December 26, 1942, and accelerated depreciation in excess of normal rates to provide for the increased use of productive facilities.

The earnings from December 28, 1941, to June 12, 1943, are governed by the terms of agreements with the Commodity Prices Stabilization Corporation Limited. These agreements have a stabilizing effect on earnings but, while they remain in force and Dominion Income and Excess Profits Taxes are at current rates, the net income of the Companies after Dominion Income and Excess Profits Taxes, cannot be greater than 70% of their standard profits.

(Signed) PEAT, MARWICK, MITCHELL & CO., Chartered Accountants.

STATUTORY INFORMATION

- (a) The Company was incorporated under The Companies Act (Canada) by Letters Patent dated April 2, 1928. The address of the head office of the Company is 304 Mary Street, Hamilton, Ont.
- (b) The names, descriptions and addresses of the directors, chief executive officers and the auditors are as follows:

DIRECTORS

Alan V. Young, Manufacturer, 304 Mary Street, Hamilton, Ont.
James V. Young, Manufacturer, 304 Mary Street, Hamilton, Ont.
Fred Allen, Superintendent, 304 Mary Street, Hamilton, Ont.
Walter S. Burrill, Manufacturer, c/o Cosmos Imperial Mills Limited, Hamilton, Ont.
Mark B. Holton, Manufacturer, c/o Chipman, Holton Knitting Co. Ltd., Hamilton, Ont.
Dunlop Stewart, Sales Agent, 159 Bay Street, Toronto, Ont.
H. R. Tudhope, Investment Dealer, 320 Bay Street, Toronto, Ont.

CHIEF EXECUTIVE OFFICERS

President—Alan V. Young, 304 Mary Street, Hamilton, Ont.
Vice-President and Treasurer—James V. Young, 304 Mary Street, Hamilton, Ont.
Secretary—E. Glover Howe, 304 Mary Street, Hamilton, Ont.
Assistant Treasurer—J. C. Burns, 304 Mary Street, Hamilton, Ont.

AUDITORS

Messrs. Peat, Marwick, Mitchell & Co., Pigott Bldg., Hamilton, Ont.

- (c) The general nature of the business actually transacted by the Company is that of spinning and weaving cotton products and specialties including yarns, twines, cordage, cotton and elastic webbing.
- (d) The authorized capital of the Company consists of \$1,200,000 divided into 40,000 shares of the par value of \$30.00 each, of which 20,000 shares are Preference Shares. The issued capital consists of 20,000 Common Shares and 20,000 Preference Shares, of which 2,460 Preference Shares have been redeemed and cancelled, leaving outstanding 17,540 Preference Shares. All of the said Common Shares and Preference Shares have been fully paid up. The Preference Shares carry and are subject to the following rights, privileges, limitations and conditions:

They are entitled to a fixed cumulative preferential dividend at the rate of \$2.00 per share per annum in priority to the Common shares but are not entitled to any other dividends. No dividend may be declared on the Common shares nor may the Company purchase or redeem any of its Preference Shares otherwise than through the sinking fund unless all dividends accrued on the Preference Shares shall have been paid and unless after providing for such dividend on the Common Shares and/or for such redemption of Preference Shares the net current assets of the Company as defined in the Letters Patent exceed the sum of \$600,000.

The holders of Preference Shares are entitled on the involuntary liquidation, dissolution or winding up of the Company to re-payment of the amount paid up on such shares, together with all unpaid preferential dividends and on the voluntary liquidation, dissolution or winding up of the Company to receive in addition a further dividend of \$5.00 per share before the holders of any of the Common Shares shall be entitled to re-payment of the amounts paid up on such Common Shares or to participate in the assets. The holders of Preference Shares have no right to any further participation in the assets.

The Preference Shares are entitled to the benefit of a sinking fund amounting to ten per cent of the net earnings or profits of the Company for each year as determined by the Company's auditors in accordance with the provisions of the Letters Patent. Such sinking fund shall be applied in the purchase of Preference Shares in the market or by tender at a price not to exceed \$35.00 per share plus costs of purchase. If the Company is unable to purchase Preference Shares sufficient to exhaust the sinking fund by December 31 in any year, the amount of the sinking fund for such year or any unexpended balance shall no longer be kept apart by the Company for such purposes and may be used for any of the purposes for which it would have been available had it not been so set apart.

Subject to the provisions above mentioned, the Company may at any time purchase for redemption or cancellation the whole or any part of the Preference Shares outstanding in the market or by tender at a price not exceeding \$35.00 per share and costs of purchase.

Upon giving notice as in the Letters Patent provided, the Company may, subject to the provisions respecting conversion of Preference Shares, redeem the whole or, from time to time, any part not less than 3,000 shares of the then outstanding Preference Shares on payment for each share to be redeemed of \$35.00 per share together with any unpaid preferential dividends accrued to the date of redemption.

Should the holders of any Preference Shares called for redemption and not converted into Common Shares fail to present the certificates for such shares within ten days after the date specified for redemption, the Company may deposit the redemption price of such shares to a special account in any Bank in Canada to enable payment of such amount to be paid without interest to the holders of such shares upon surrender of the certificates and upon such deposit being made, the shares shall so far as liability of the Company is concerned, be taken to be redeemed and cancelled and the rights of the holders of such shares as against the Company shall be limited to receiving the redemption price so deposited.

Holders of Preference Shares have the right upon giving notice as in the Letters Patent provided at any time up to and including the date of redemption of Preference Shares, to convert the whole or any number of the Preference Shares into Common Shares at the rate of one Common Share for each Preference Share. If the Company fails to pay in aggregate six regular quarterly dividends whether for consecutive quarterly periods or not, when the same should be paid or if the Company fails to set apart and apply the sinking fund for Preference Shares and such default continues for a period of eighteen months, then from and after the due date of the sixth quarterly dividend or the expiration of such eighteen months, each holder of Preference Shares shall be entitled to the same voting rights in respect of each Preference Share as if each such share were a Common Share. If and when the Company shall have paid in full all accrued preferential dividends and set apart for sinking fund all sums required to be set apart and applied such sums as required by the Letters Patent, the holders of Preference Shares shall no longer be entitled to vote until they shall again be entitled to vote as above set out. Except as aforesaid no holder of Preference Shares shall be entitled to vote in respect thereof at any meetings of the Company or to receive notice of any meeting at which he is not entitled to vote.

So long as any of the Preference Shares remain outstanding, the Company shall not unless for the purposes provided below:

- (a) Mortgage or encumber any of its assets, real or personal, except as security for an authorized issue of bonds to the principal amount of two million (\$2,000,000) dollars to be authorized by the Company at the inception of its business, or except as security for an authorized issue of bonds not exceeding said principal amount to renew or refund said first-mentioned bonds, or
- (b) Create or authorize any other or additional Preference Shares of the Company ranking in priority to or *pari passu* with the Preference Shares hereby provided for, or
- (c) Sell or authorize the sale of a part of the undertaking and assets of the Company which constitutes more than one-half of the value of the total assets of the Company as ascertained by the Company's auditors, or
- (d) Increase its capital stock, or
- (e) Authorize an application to amend or vary any of the provisions of its Letters Patent or Supplementary Letters Patent, or re-arrange or vary its capital stock in such manner as to have the effect of lessening the proportionate interest in the assets of the Company represented by each

Messrs. Blake, Anglin, Osler & Cassels have examined the title of the Company to its real property to be specifically charged which is situate in the City of Hamilton and the title of Trent Cotton Company, Limited to that portion of its real property on Pelham and Metcalfe Streets in the Town of Trenton on which its main plant is situate and have found such titles satisfactory. The value of the shares of Trent Cotton Company, Limited does not constitute twenty-five per cent of the value of the property which it is proposed will be mortgaged and charged.

The Deed of Trust and Mortgage will provide that the Company may give security under the provisions of the Bank Act or otherwise to any bank or bankers, persons, firms or corporations in the ordinary course of its business for current loans, but may not, except subject to the floating charge, create any other mortgage, charge or other security upon the subject matter of the floating charge. The Company will covenant that any fixed assets acquired by it subsequent to the date of the Deed of Trust and Mortgage will, whether or not any additional bonds are at the time issued in respect thereof, be subjected to the specific mortgage created thereby. The Company will also covenant that it will not suffer or permit Trent Cotton Company, Limited, or any wholly-owned subsidiary, all of whose issued shares form part of the specifically mortgaged premises, (a) to create any mortgage, hypothec, pledge or charge whether fixed or floating except purchase money mortgages, upon any of its fixed assets, or (b) to create any mortgage, hypothec, pledge or charge whether fixed or floating upon any of its other assets, except as security under the provisions of the Bank Act or otherwise, to any banks or bankers, persons, firms or corporations in the ordinary course of its business for current loans. The Company will further covenant that while any of the bonds are outstanding it will not pay any dividends (other than stock dividends) or redeem or purchase any of its shares if such payment or redemption or purchase would result in reducing the consolidated net current assets (to be defined in the Deed of Trust and Mortgage) of the Company and any wholly-owned subsidiary or subsidiaries below \$700,000 or 66⅔% of the principal amount of all outstanding bonds whichever is the greater.

The Deed of Trust and Mortgage will provide that the bonds offered by this Prospectus will be redeemable at any time prior to maturity on thirty days' notice in whole or in part at 101 and accrued interest, provided that in the event of partial redemption the bonds to be redeemed shall be taken pro rata from each maturity and shall be selected by lot and that the Company shall have the right to purchase bonds for redemption on the market or by private contract at a price not greater than the redemption price and costs of purchase which shall not exceed one-half of one per cent.

The Deed of Trust and Mortgage will provide that additional bonds may be issued but only to the extent of sixty-six and two-thirds per cent (66⅔%) of the cost or depreciated replacement appraisal value (whichever is lower at the time of issue of such further bonds) of additional fixed properties (including construction and improvements) acquired subsequent to the date of the Deed of Trust and Mortgage by the Company or by Trent Cotton Company, Limited, or any other wholly-owned subsidiary, all of whose issued shares form part of the specifically mortgaged premises; provided that the consolidated net current assets of the Company and any wholly-owned subsidiary or subsidiaries shall at the date of issue of such additional bonds including the proceeds thereof amount to at least \$700,000 or 66⅔% of the principal amount of outstanding bonds, including the additional bonds to be issued; and provided further that no additional bonds may be issued unless the consolidated net earnings of the Company and its subsidiaries for any twelve (12) consecutive calendar months or thirteen (13) periods of four weeks, whichever may be used by the Company for accounting purposes, out of sixteen (16) calendar months or seventeen (17) periods of four weeks immediately preceding the date of issue of additional bonds shall have been at least equal to twice the annual interest requirements of all the bonds which will be outstanding after the issue of the bonds about to be issued. Any additional bonds will be payable in lawful money of the Dominion of Canada, may be issued in one or more series, bear such rates of interest, be redeemable at such prices, provide for such sinking fund and mature at such time or times as may be determined by the Board of Directors; provided that no such additional bonds shall carry a sinking fund greater than sufficient to retire one-tenth of such additional bonds in any one year prior to November 2, 1953 and provided that no such additional bonds shall mature earlier than November 2, 1953, except that principal amounts may mature at an earlier date or dates if the principal amounts maturing in any year, together with sinking fund payment (if any) payable in such year in respect of the series of which the principal amount so maturing forms part, does not exceed the amount of the sinking fund which would be permitted for such year as hereinbefore provided if all the bonds of such series matured on or after November 2, 1953. The Deed of Trust and Mortgage will further provide that if at any time bonds of one or more series, including the present issue, are outstanding and the Company shall make moneys (other than sinking fund moneys) available for redemption of bonds, then such moneys will be apportioned among the different series of bonds, including the present issue, according to the principal amount of the bonds of each series then outstanding.

- (q) Except the commission disclosed in paragraph (k) above, the costs of legal and auditing services rendered and to be rendered in connection with and incidental to expenses of the issue of the securities offered by this Prospectus, no services have been rendered or are to be rendered to the Company which are to be paid for out of the proceeds of the securities offered by this Prospectus and no services have been within two years preceding the date hereof or are now proposed to be paid for by securities of the Company.
- (r) No amount has been paid within the two preceding years or is intended to be paid to any promoter.
- (s) The Company has entered into two agreements dated November 28, 1942, and December 28, 1942, with Commodity Prices Stabilization Corporation Limited relating to the Company's inventory and cost of cotton. The said agreements took effect as of December 28, 1941, and provide for adjusting the cost of cotton to a proper relationship with the maximum prices established by The Wartime Prices and Trade Board at which the Company's products may be sold. The effect of these agreements is reflected in the Balance Sheet of the Company and will result in a stabilization of operating results.

By agreement dated August 10, 1943, A. E. Ames & Co. Limited, 320 Bay Street, Toronto, has agreed, subject to the due authorization and creation of the bonds offered by this Prospectus and to the terms and conditions in the said contract contained, to purchase the said bonds at the price mentioned above. By agreement dated August 10, 1943, A. E. Ames & Co. Limited, 320 Bay Street, Toronto, has agreed, subject to the due authorization and creation of the Common Shares offered by this Prospectus, and to the terms and conditions in the said contract contained, to purchase the said Shares at \$15.00 per Share subject to payment of the commission mentioned above.

Copies of the above-mentioned agreements may be inspected at the Head Office of the Company, 304 Mary Street, Hamilton, Ontario, during usual business hours. No other material contracts have been entered into within the two preceding years.

- (t) The by-laws of the Company provide:
"The President and Directors shall be entitled to receive such fees or annual salary for their services as may be authorized by a resolution of the Board (and compensation for expense of attendance, if any, may be allowed for attendance at regular or special meetings of the Board), provided that nothing herein contained shall be construed to preclude any Director from serving the Company in any other capacity than as a Director and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings."
- (u) The Company has not acquired within the two preceding years, and does not propose to acquire, any property in which any director of the Company had or has any interest.
- (v) No amount of the consideration received for the issue of Common Shares without nominal or par value has been set aside as distributable surplus.
- (w) The Company has been carrying on business for more than three years.
- (x) Messrs. A. V. Young and J. V. Young by virtue of their beneficial ownership of all of the presently outstanding Common Shares of the Company are in a position to elect, or cause to be elected, all of the Directors of the Company.

THE HAMILTON COTTON COMPANY, LIMITED
and its wholly-owned Subsidiary, Trent Cotton Company, Limited
CONSOLIDATED BALANCE SHEET as of June 12, 1943.

ASSETS

CURRENT ASSETS:			
Cash in Banks and on hand.....	\$	130,637.22	
Accounts and notes receivable.....		334,502.02	
Investment in Dominion of Canada bonds at cost and accrued interest (quoted value \$430,303.92).....		430,964.52	
Due from employees re Victory Loan subscriptions, secured by Dominion of Canada bonds.....		46,778.95	
Inventories:			
Represented by cotton accounts adjusted from cost under agreement with Commodity Prices Stabilization Corporation, Limited to give effect to subsidy assistance contingently repayable.....		\$1,428,026.63	
Other inventories at not exceeding the lower of cost or market value, as determined and certified to by responsible officials of the Company, less reserves.....	246,325.77	1,674,352.40	
Deposits with Fire Insurance Company.....		25,084.58	
		\$2,642,319.69	
DEFERRED CHARGES.....		15,478.22	
OTHER INVESTMENTS.....		2,565.82	
FIXED ASSETS:			
Real estate, as appraised by Mr. F. Kent Hamilton under date of April 5, 1928.....	\$	153,892.00	
Buildings, machinery and equipment as appraised by Lockwood, Greene & Co., Inc., under date of April 5, 1928 at replacement cost less depreciation, with subsequent additions at cost, less adjustments.....	\$3,280,488.35		
Deduct reserve for depreciation.....	2,104,234.61	1,176,253.74	1,330,145.74
		\$3,990,509.47	

LIABILITIES

CURRENT LIABILITIES:			
Bank loans (secured).....	\$	866,750.00	
Accounts payable.....		112,080.11	
Accrued wages, etc.....		66,577.68	
Preferred and Common dividends due July 2, 1943.....		10,772.50	
Reserve for Dominion Income and Excess Profits Taxes—estimated.....		85,457.92	
Accrued bond interest.....		13,665.27	
3% First Mortgage and Collateral Trust Serial Bonds, instalment due August 1, 1943.....		65,000.00	
		\$1,220,303.48	
4¼% FIRST MORTGAGE AND COLLATERAL TRUST SINKING FUND BONDS, due August 1, 1950.....		850,000.00	
CAPITAL STOCK:			
Authorized:			
Cumulative Convertible Sinking Fund Preference Stock, 20,000 Shares of a par value of \$30.00 each.....	\$	600,000.00	
Common Stock, 20,000 Shares of a par value of \$30.00 each.....		600,000.00	
Issued:			
Preference Stock 20,000 Shares fully paid.....		600,000.00	
Less redeemed 2,460 Shares.....		73,800.00	
		17,540 Shares.....	526,200.00
Common Stock 20,000 Shares fully paid.....		600,000.00	1,126,200.00
SURPLUS:			
Capital.....		65,486.46	
Earned.....		728,519.53	
Signed on behalf of the Board:		\$3,990,509.47	
ALAN V. YOUNG } <i>Directors</i>			
FRED ALLEN }			

THE HAMILTON COTTON COMPANY, LIMITED
and its wholly-owned Subsidiary, Trent Cotton Company, Limited
CONSOLIDATED PROFIT AND LOSS ACCOUNT AND EARNED SURPLUS
For the Periods from December 31, 1939 to June 12, 1943.

	52 week periods ended			24 week period ended June 12, 1943
	December 28, 1940	December 27, 1941	December 26, 1942	
Operating profit before deduction of depreciation, executive salaries and Directors' fees.....	\$805,658.43	\$798,988.42	\$572,059.43	\$236,576.76
Income from investments.....	1,560.30	2,444.87	4,652.83	2,209.63
	\$807,218.73	\$801,433.29	\$576,712.26	\$238,786.39
Deduct:				
Provision for depreciation.....	247,457.80	214,456.86	248,835.95	100,944.14
Executive salaries.....	48,739.36	49,091.82	49,092.02	22,657.44
Bond interest.....	42,173.42	41,233.82	39,076.50	17,368.45
Directors' fees.....	1,400.00	1,400.00	1,400.00	649.56
Provision for Dominion Income and Excess Profits Taxes—estimated.....	329,500.00	359,500.00	95,000.00	38,866.72
	\$669,270.58	\$665,682.50	\$433,404.47	\$180,486.31
Net profit for the period.....	\$137,948.15	\$135,750.79	\$143,307.79	\$ 58,300.08
Add: Earned surplus at beginning of period.....	440,092.72	504,678.37	567,854.16	691,809.45
Reserve for prior years Income and Excess Profits Taxes not required.....			60,000.00	
	\$578,040.87	\$640,429.16	\$771,161.95	\$750,109.53
Deduct:				
Dividends—Preference Stock.....	73,362.50	72,575.00	71,352.50	17,590.00
Common Stock.....			8,000.00	4,000.00
	\$ 73,362.50	\$ 72,575.00	\$ 79,352.50	\$ 21,590.00
Earned surplus at end of period.....	\$504,678.37	\$567,854.16	\$691,809.45	\$728,519.53

To the Directors of
THE HAMILTON COTTON COMPANY, LIMITED.

Hamilton, Ontario, August 10, 1943.

In accordance with your instructions we have examined the accounts of The Hamilton Cotton Company, Limited, and its wholly-owned subsidiary, Trent Cotton Company, Limited for the periods from December 31, 1939 to June 12, 1943.

We have to report that, in our opinion, based upon our examination and the explanations and information given us, the above Consolidated Balance Sheet, and related statement of the Consolidated Profit and Loss and Earned Surplus present fairly the position of the Company and its subsidiary as of June 12, 1943 and the results of their operations for the periods from December 31, 1939 to June 12, 1943.

PEAT, MARWICK, MITCHELL & Co., *Chartered Accountants.*

This Prospectus issued by The Hamilton Cotton Company, Limited, is dated at Hamilton, Ontario, August 10, 1943 and is signed by the Directors of the Company.

(Signed) ALAN V. YOUNG

(Signed) M. B. HOLTON

(Signed) JAMES V. YOUNG by his agent ALAN V. YOUNG

(Signed) DUNLOP STEWART

(Signed) FRED ALLEN

(Signed) H. R. TUDHOPE by his agent ALAN V. YOUNG

(Signed) W. S. BURRILL by his agent ALAN V. YOUNG

Common Share in the event of the winding up of the Company or other distribution of its assets as a whole,

except with the consent of the holders of the Preference Shares given by resolution passed by at least three-quarters of the votes of the holders of Preference Shares cast at a special general meeting of the preference holders called for that purpose. Any such consent may be given from time to time and the giving of consent to any one or more of the said acts or combination thereof shall not exhaust the right to again give any similar consent provided that nothing in the Letters Patent contained shall prevent the Company from giving security to any bank or banks under the Bank Act or otherwise for moneys borrowed or to be borrowed from such bank or from giving purchase money mortgages.

No holder of Preference Shares shall as such holder be entitled as of right to subscribe for, purchase or receive any part of any issue of shares or of bonds, debentures or other securities of the Company.

No holder of shares in the Company of whatsoever class shall have any right by subscription to any shares or to any issue of securities convertible into shares unless and except as rights of subscription may be extended to any shareholder by the Board of Directors in its discretion.

(e) No securities of the Company are covered by options outstanding or proposed to be given.

(f) The securities offered by this Prospectus are—

(1) An issue of \$850,000 principal amount of 3% First Mortgage and Collateral Trust Serial Bonds maturing as to \$85,000 on the 1st day of November in each of the years 1944 to 1953, inclusive, which it is proposed to create and issue upon the redemption of the presently outstanding \$850,000 principal amount of 4¼% First Mortgage and Collateral Trust Sinking Fund Bonds which will be redeemed on the 1st day of November, 1943. It is proposed to issue the said 3% First Mortgage and Collateral Trust Serial Bonds at a price of \$98.95 and accrued interest from the 1st day of November, 1943, for each \$100 principal amount of Bonds, the full purchase price being payable in cash upon issue;

(2) An issue of 40,000 Common Shares without nominal or par value but such number will be reduced in the event of the conversion (on a share-for-share basis) into Common Shares as at present constituted prior to the redemption of any of the outstanding 17,540 Preference Shares which have been called for redemption on October 11, 1943. If any of such Preference Shares are converted into Common Shares as at present constituted, then the number of Common Shares issued will be reduced by two Common Shares for each Preference Share converted. It is proposed upon the redemption and conversion or redemption or conversion of the presently outstanding Preference Shares to subdivide and change each then existing Common Share into two Common Shares without nominal or par value and to increase the capital by the addition of the Common Shares without nominal or par value offered by this Prospectus. It is proposed to issue the said Common Shares at a price of \$15.00 per share subject to the payment of a commission of \$1.00 per share for the purchase of such shares, the purchase price being payable in cash upon issue.

No securities have been offered within the last two preceding years.

(g) The purposes of the proposed issue of securities are—

(1) The proceeds of the said issue of Bonds will be used to supply part of the funds required to redeem on November 1, 1943, all of the presently outstanding \$850,000 principal amount of 4¼% First Mortgage and Collateral Trust Sinking Fund Bonds at 101½% of the principal amount thereof and accrued interest. The approximate amount required to redeem such Bonds is \$862,750 and interest at 4¼% from August 1, 1943. The balance of the amount required to redeem said Bonds will be provided from the general funds of the Company.

(2) The proceeds of the said Common Shares will be used to reimburse the Company in part for and/or to repay any moneys borrowed by the Company for the purpose of the redemption on October 11, 1943, at \$35.00 per share and accrued dividend of the presently outstanding 17,540 Preference Shares or such number of them as are not converted into Common Shares prior to redemption. The approximate amount required to redeem the said shares, on the assumption that none are converted into Common Shares prior to redemption, is \$613,900 and accrued dividend at the rate of \$2.00 per share per annum to the date of redemption. The balance of the amount required to redeem the said Preference Shares will be provided from the general funds of the Company.

(h) The aggregate amount of remuneration paid by the Company to its Directors during its financial year ended December 26, 1942, was \$1,400.00. The aggregate remuneration estimated to be paid to Directors during the current financial year is \$1,400.00. The aggregate remuneration paid during the financial year ended December 26, 1942, to officers who individually have received remuneration in excess of \$10,000 per annum was \$49,092.02. The aggregate remuneration estimated to be paid during the current financial year to officers who individually will be entitled to receive remuneration in excess of \$10,000 per annum is \$49,092.02.

(i) The estimated net proceeds to be derived from the securities offered on the basis of the same being fully taken up and paid for are—

(1) As to the 3% First Mortgage and Collateral Trust Serial Bonds \$841,075;

(2) As to the Common Shares \$560,000.

(j) In the opinion of the Directors the minimum amount which must be raised by the issue of the Common Shares offered by this Prospectus to repay moneys borrowed from the Company's bankers for the purpose of redeeming its presently outstanding Preference Shares, which have been called for redemption on October 11, 1943, will be, in the event that none of the said Preference Shares are converted into Common Shares, \$560,000 but the said minimum amount will be reduced in the event of some of the said Preference Shares being converted into Common Shares but the amount of such reduction cannot be known until the date of redemption of the Preference Shares.

(k) The Company proposes to pay a commission of \$1.00 per share to A. E. Ames & Co. Limited for subscribing for the Common Shares offered by this Prospectus. Except as above stated, no commission has been paid within the two preceding years or is payable to any person as a commission for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares or debentures of the Company.

(l) The Company has been carrying on business for more than one year.

(m) No property has been purchased or acquired by the Company or is proposed to be purchased or acquired by the Company, the purchase price of which is to be defrayed in whole or in part out of the proceeds of the issue. No property has been purchased or acquired by the Company, the purchase price of which has been paid within the last two preceding years, except in the ordinary course of the transaction of the business of the Company. No property has been purchased or acquired by the Company, or is proposed to be purchased or acquired by the Company, the purchase price of which is to be paid in whole or in part in securities of the Company. No property has been purchased or acquired by the Company, or is proposed to be purchased or acquired by the Company, the purchase or acquisition of which has not been completed at the date of the issue of this Prospectus, except in the ordinary course of the transaction of the business of the Company.

(n) There are no vendors of property under paragraph (m), except in the ordinary course of the transaction of the business of the Company.

(o) No securities have been issued within two years preceding the date hereof.

(p) The bonds offered by this Prospectus will be secured by a Deed of Trust and Mortgage constituting—

(1) a first fixed and specific mortgage and charge upon—

(a) all of the fixed assets now owned by the Company other than a property situate at Dundas and used for purposes of temporary storage;

(b) all of the outstanding shares of the Company's subsidiary, Trent Cotton Company, Limited;

(2) a first floating charge on the undertaking and all other property and assets, present and future, of the Company.